

22 July 2021

FY22 guidance and quarterly business update

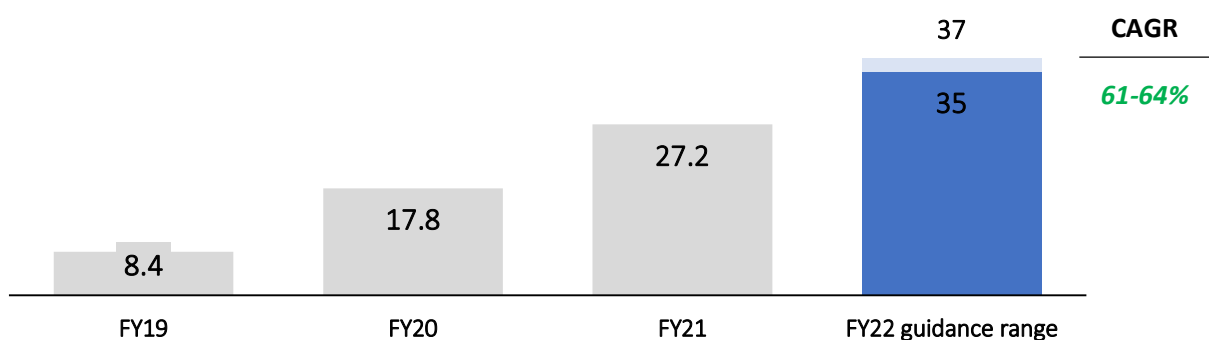
- FY22 ARR guidance of \$35.0m to \$37.0m for year ending March 2022 following strong organic growth in 1Q FY22 and marked increase in demand for PayGroup's payroll and HCM offering
- \$4.6m new contracts signed in 1Q FY22 increasing 53% on pcp, driven by investment in optimised sales team and focus on converting significant pipeline of opportunities
- Record 6.7m annualised payslips and transaction processed, increasing PayGroup's scale across APAC and expanding cross-sell opportunities
- Strong balance sheet, with cash of \$12.5m as at 30 June 2021, to execute on key growth initiatives including a product enhancements to drive growth and margin expansion

Melbourne, 22 July 2021: PayGroup Limited ("PayGroup" or the "Company"), a leading provider of payroll and human capital management (HCM) solutions is pleased to release its quarterly business update for the quarter ended 30 June 2021.

FY22 GUIDANCE

PayGroup continues to experience strong demand for its mission-critical payroll and HCM solutions. Accordingly, the Company is pleased to provide exit annualised recurring revenue ("ARR") guidance for FY22 of between \$35.0m and \$37.0m, representing an expected increase of 29% to 36% on FY21 exit ARR of \$27.2m. PayGroup remains focused on executing on its substantial pipeline of opportunities across the APAC region, underpinning the Company's exciting growth trajectory illustrated in Figure 1.

Figure 1. Annualised Recurring Revenue since IPO (A\$m, unaudited)



Mark Samlal, Founder and Managing Director of PayGroup, said:

"FY22 will be a significant year for PayGroup. The guidance we announce today highlights the exciting growth profile of the business and our ability to consistently execute on our proven strategy. With the platform now in place and our technology roadmap underway, we are focused on extracting the significant embedded value across the Group in the interest of long-term shareholder value creation."

RECORD 1Q FY21 RESULTS

PayGroup has continued to convert its strong pipeline of opportunities recording \$4.6m in new contracts signed in 1Q FY22 increasing 53% on the prior corresponding period. The new contracts signed are 3-years repetitive revenue contracts with automatic renewals. Notably, the record new contracts excludes the \$1m Coty contract announced following the quarter end. Strong growth across the quarter is a result of PayGroup's optimisation initiatives across the sales team to enhance the Group's executional capabilities and convert the accelerating demand for digital payroll and HCM solutions. Among the new contracts signed this quarter were Hudson RPO and a number of ASX-listed companies, further diversifying PayGroup's base of multinational enterprise clients.

Strong 1Q FY22 growth was driven by a 12% increase in annualised payslips processed from 6.0m at the end of FY21 to 6.7m this quarter. Additionally, the Company's performance has been accelerated by revenue synergies following the expansion into the franchise employment vertical which leverages PayGroup's extensive infrastructure and network across APAC.

The Global Partner Program ("GPP") sales channel continues to deliver PayGroup a significant stream of referrals and new contracts. In 1Q FY22 the GPP contributed 28% of new contracts, a significant increase on previous quarters. PayGroup expects the sales momentum through the GPP to continue throughout FY22 which is expected to support margin expansion due to the low customer acquisition costs and higher utilisation of PayGroup's existing infrastructure in APAC. The revenue through this channel further highlights the Company's growing global reputation as a trusted provider of mission-critical payroll solutions, and a leading payroll provider in the region.

OPERATIONAL UPDATE

As part of PayGroup's plan to enhance its product offering and improve operational leverage across the Group, the Company continues executing its technology roadmap. Initiatives include a number of platform improvements including movement to low-code infrastructure that is expected to significantly reduce deployment times and increase flexibility for customers while driving margin expansion. Led by Jerome Gouvernel, Chief Product Officer, the roadmap further strengthens PayGroup's position as the leading payroll and HCM platform in APAC.

OUTLOOK

PayGroup is pleased with the growth demonstrated in 1Q FY22 and the momentum it provides for the rest of the year. With the platform now set following a number of strategic acquisitions in FY21, PayGroup is focused on continuing to extract the significant embedded value across the Group underpinned by its enhanced scale, cross-selling opportunities and increasing operational leverage. A core focus of PayGroup will be on sales execution to capitalise on the significant pipeline of opportunities underpinned by structural tailwinds and significant demand for PayGroup's payroll solutions and high margin HCM software suite. To support margin expansion, the Company will also focus the sales effort on regions that exhibit attractive unit economics such as Japan and Australia.

CORPORATE UPDATE

At the end of the quarter, the Company's cash balance was \$12.5m, with PayGroup remaining debt-free and well positioned to capitalise on growth initiatives.

Annual General Meeting

PayGroup will hold its Annual General Meeting (AGM) today at 4:00pm (AEST). As part of the AGM, the Company will present an updated investor presentation covering the 1Q FY22 performance, strategy overview and outlook. The presentation will also include updates from the Founders of IWS and PayrollHQ.

Shareholders are encouraged to attend the virtual meeting and must email oliver@ocarton.com.au to receive a link to join the video conference.

-ENDS-

For further information, please contact:

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This announcement was authorised by the Board of Directors of PayGroup Ltd.

About PayGroup

PayGroup is a leading provider of payroll and human capital management (HCM) solutions, delivering mission-critical services. Leveraging PayGroup's deep regulatory and compliance expertise, PayGroup now proudly services enterprise clients in 41 countries, representing more than 6.7m payslips and transactions per annum. PayGroup's core business provides a great foundation for sustainable long-term growth, allowing it to further unlock monetisation opportunities. More information on PayGroup can be found at www.paygrouplimited.com.



AGM Presentation

July 2021



Agenda

1 **Business & Strategy update**
Mark Samlal, Founder and CEO

2 **Integration updates**
Rob Dryden, Founder IWS
Ross Heron, Founder PayrollHQ

3 **Outlook**
Mark Samlal, Founder and CEO

Business update



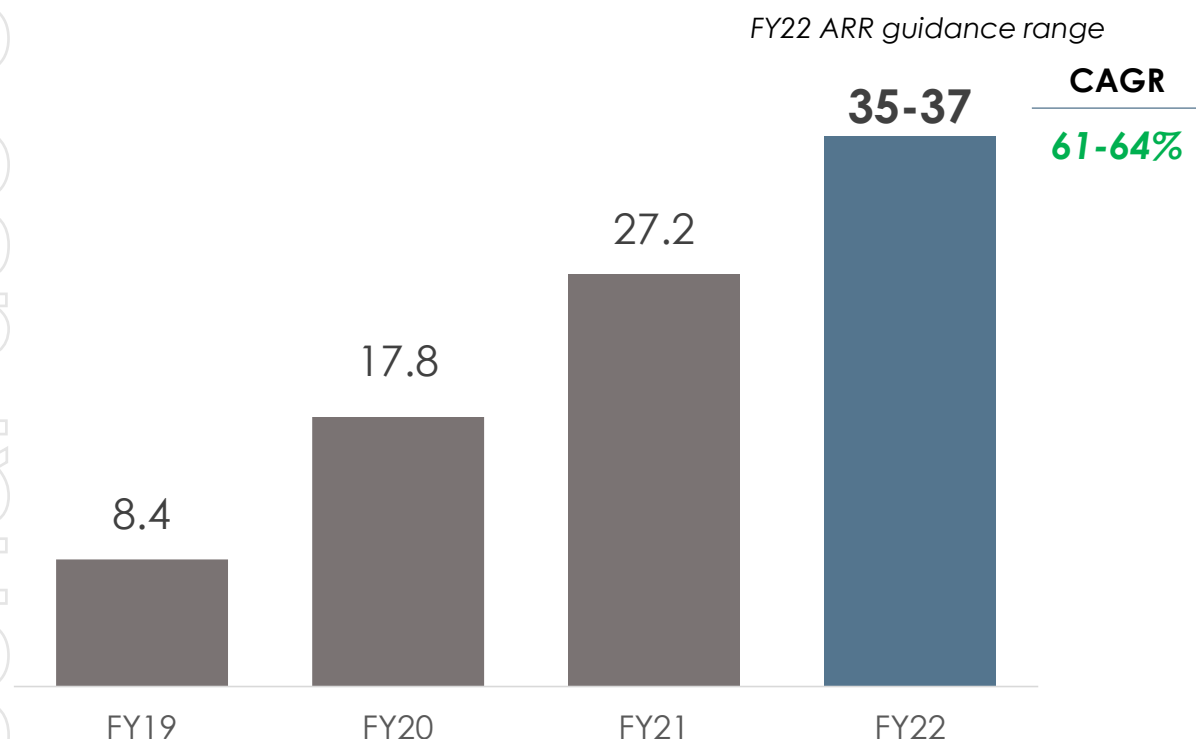
Mark Samlal
Founder and CEO



Guidance update of \$35-37m ARR for FY22

Strong 1 Q FY22 provides significant momentum and material increase in expected full year ARR

Annualised recurring revenue¹ (\$m)



1Q FY22 update

\$4.6m² of new contracts³ signed in 1 Q FY22 **increasing 53% on pcp**. All contracts are a minimum of 3-year term

Strong demand for payroll and HCM solutions **provides significant pipeline** of opportunities

Early investment in optimised sales team and **focus on executional capabilities provides** strong foundation for organic growth

Q1 FY22 Operational highlights

Growing scale and increasing operating leverage

Annualised payslips
processed

6.7m

*~12% increase in
payslips processed
from FY21,
reflective of
increase in
PayGroup's scale*

Current gross
margin

50%

*Company focus to
increase group
margin through
labour optimisation,
technology roadmap
and GPP*

GPP sales
contribution

28%

*Of new contracts won
in FY22, demonstrating
the increasing sales
revenue from the
higher margin
channel*

Customer
retention

99%

*Leading customer
retention, highlighting
strength of product
and mission critical
solution*

Trusted payroll solutions platform

Established scale by leveraging PayGroup's deep regulatory and compliance expertise

Mission critical payroll solution



Local compliance expertise in APAC **reduces regulatory burden**, mitigating reputational risks (e.g. underpayments)



Streamlined reporting **enhances board and management's oversight** across entire work force



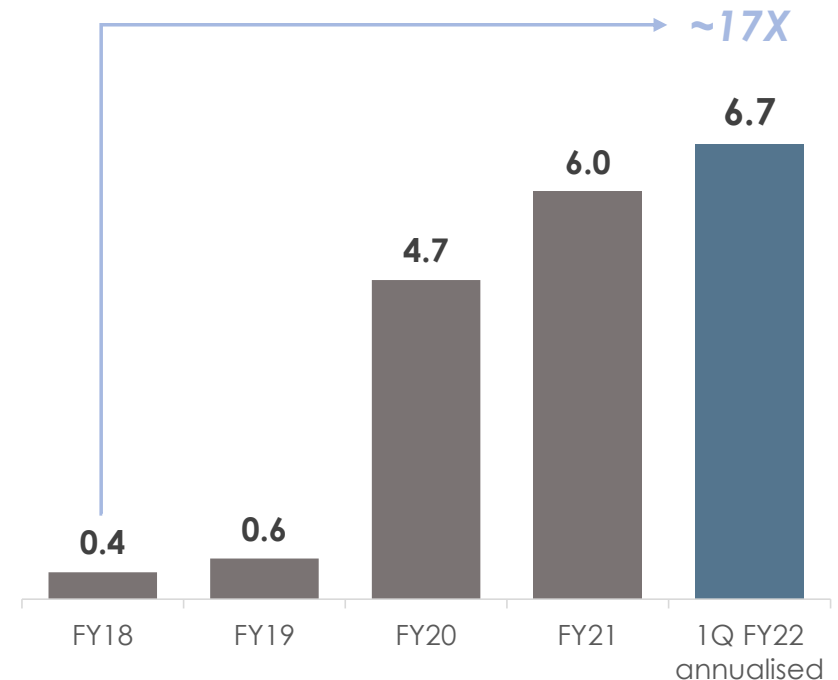
Deep integration into client's infrastructure positions PayGroup to provide additional human capital solutions



Optimise client's in-house and in-country payroll function

Rapid growth achieved

No. of payslips processed (millions)



Strategy update



Mark Samlal
Founder and CEO



PayGroup at a glance

PayGroup delivers mission-critical payroll solutions and scalable HCM software



Fully compliant payroll solution
processing >6.7m payslip transactions¹



Scalable software platform providing full life-cycle HCM modules



Local regulatory and compliance expertise **in 41 countries**



>2,200 customers across a growing number of market segments



Recognised by Gartner in market guides for Multicounty Payroll Solutions²

Recap of PayGroup strategy

Rapid growth as a result of consistent execution against proven strategy

FY19



FY20



FY21



FY22



Scale core payslips business

Expand product offering

Leverage global partnerships

Expand markets & cross sell opportunities

- ✓ ~600k annualised payslips across 450 clients
- ✓ Established HCM platform
- ✓ 3 strategic agreements with GPP channel
- ✓ 25 countries served across APAC

- ✓ ~4.7m annualised payslips across 875 client
- ✓ 16 high margin HCM modules
- ✓ 4 new partners under the GPP to drive organic growth
- ✓ 33 countries served
- ✓ Added workforce contracting segment

- ✓ ~6m annualised payslips across 2,100 clients
- ✓ 11 new modules added to HCM suite
- ✓ >300% increase in ARR through GPP
- ✓ 41 countries served
- ✓ Added franchise employment segment

Continue to leverage position as trusted provider of payroll solution across APAC

Drive higher margin through automation and labour optimisation

Execute on expanding opportunities through GPP to expand global footprint

Utilise full suite of HCM modules to drive increased cross-selling

Enhanced offering

Continuing to expand markets and build ecosystem of high margin HCM modules

PayGroup's offering caters to a wide base...



Multi-national enterprises

Payroll and HCM solutions to large multi-national enterprises with staff across multiple jurisdictions



Workforce management

Servicing organisations that require staff for a contract or temporary need



Franchise networks

Catering to a network of businesses with staff on flexible rostering requirements

...with an extensive range of HCM modules

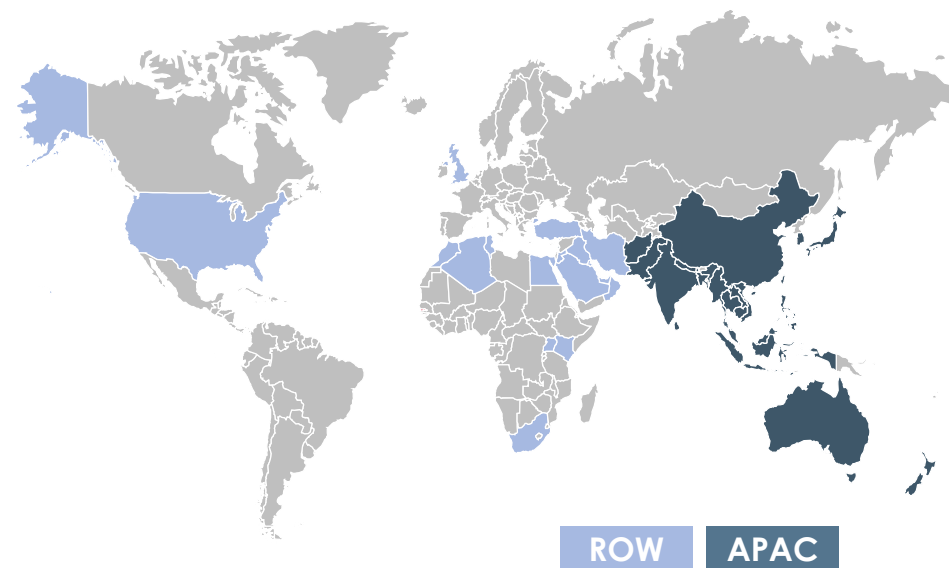
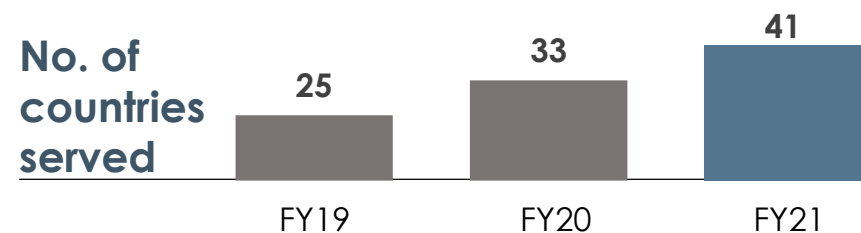
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|---------------------|-------------------------------------|--------------------------|
| + Timesheets | + Onboarding | + Claims |
| + Leave | + Invoicing | + iOS / Android app |
| + Document centre | + Integrations | + Discussion board |
| + Pay conditions | + Taxes, superannuation & insurance | + Employee self service |
| + Data aggregation | + Talent management | + Organisation |
| + Separation | + Competency | + Temperature check |
| + Career management | + Performance | + Learning & Development |
| + Time & attendance | + Recruitment | + Bookkeeping |
| + AI chat bot | + Facial recognition | |

Leading position in APAC

Expanded markets provides customers with opportunities to grow

Significant APAC coverage

- ✓ PayGroup has solidified its position as a market leader in payroll across APAC, with coverage in **41 countries**
- ✓ PayGroup's deep knowledge of local regulatory environments is unparalleled, providing customers with **fully compliant payrolls and payments**
- ✓ Unique position enables PayGroup to support clients seeking to facilitate growth within the APAC region by leveraging **PayGroup's established infrastructure**
- ✓ **Strengthening our position in Japan** – acquisition of our partner to create **PayAsia Japan** following strong demand for mission critical payroll services. Highest unit economics for the Group



Diversified customer base

Industry agnostic solution with significant customer base underpins organic growth potential

Select customers

Professional Services



Financial Services



Healthcare



Construction & Industrials



Franchise



...and more



Key customer metrics

2.2K Enterprise customers

3-year Minimum client contracts

99% Customer retention¹

Recent contract wins and cross-sells



Integration updates



Rob Dryden
Founder - IWS



Ross Heron
Founder – PayrollHQ



IWS snapshot

Leader in the ANZ franchise market



97% customer retention



>420k annualised payslips






>1k customers

- **Record first quarter** of new contract wins \$1.2m TCV
- **Leading provider of rostering and payroll** solutions to some of the best-known franchises in Australia and New Zealand
- **PayGroup monetisation avenues successfully integrated** into the IWS platform
- **Large captive client base** as the mandated solution for new franchise locations and preferred supplier to existing sites
- **Well positioned to capture increased market share**, with over 98,000 franchise locations in Australia¹
- **Positive free cash flow** business

IWS strategic priorities

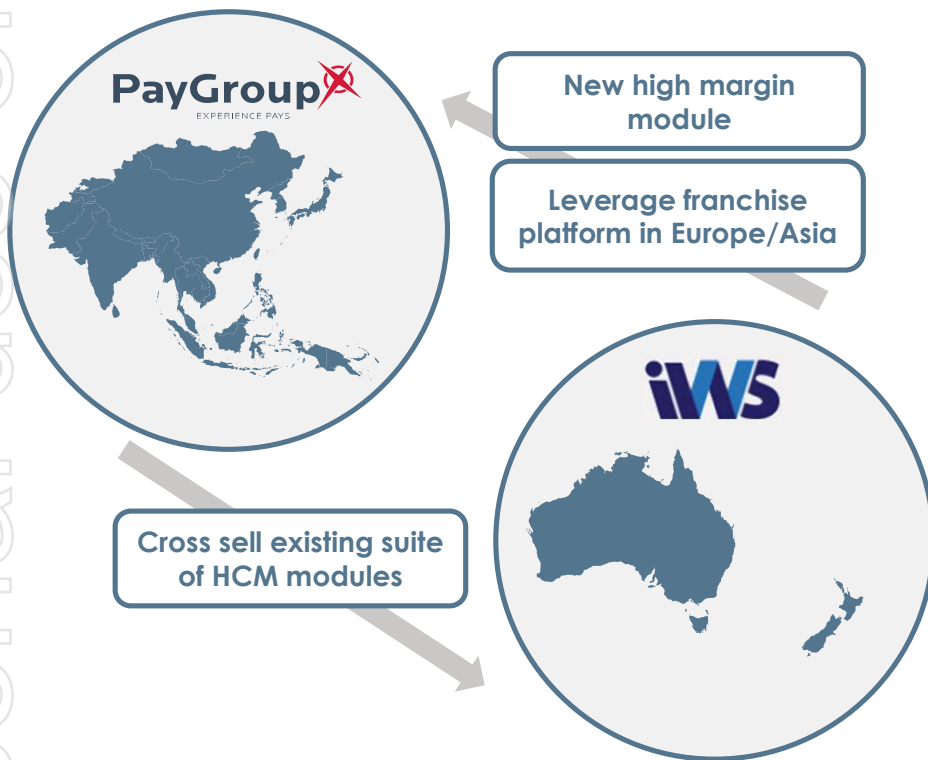
Grow locally while helping clients expand to new markets

Priority	Rationale	The PayGroup difference
 Local franchise growth	<ul style="list-style-type: none">✓ Grow market share in the lucrative Australian franchise market✓ 98,000 franchise locations in Australia¹	Leverage PayGroup sales engine to expand sales and marketing capabilities
 Facilitate client expansion	<ul style="list-style-type: none">✓ Help ANZ based franchises expand into APAC and the rest of the world✓ Provide mission-critical services for customers looking to expand internationally	Utilise PayGroup's extensive APAC network to facilitate international growth
Long term growth opportunity		
 APAC franchise market	<ul style="list-style-type: none">✓ Leverage IWS systems and technology to expand into APAC franchise market	Leverage PayGroup's cemented position within APAC to drive new sales into the large franchise sector

Laser clinics case study update

Continuing to expand post – IWS integration

Significant APAC revenue pipeline



Case Study **laserclinics** A U S T R A L I A

- Laser Clinics is a longstanding customer of IWS, supporting their 155 franchises across Australia and New Zealand
- **Update:** Leveraging **PayGroup's payroll infrastructure**, IWS is supporting Laser Clinics across 2 new European and Asian based geographies (with **a 3rd to be added** in q2), adding **20 new franchises since acquisition** (up from 15 in May 2021)

PayGroup will support Laser Clinics in all its new locations as it continues to expand globally

PayrollHQ snapshot

Fast growing ANZ payroll provider



99% customer retention



>180k annualised payslips



>120 customers

PayGroup

PayrollHQ Overview

- **New contract wins in the strongest quarter ever (\$605k TCV)** across multiple sectors encompassing both ASX-listed and large-scale private entities
- **One of Australia's fastest growing providers of payroll, offering** solutions to some of Australia and New Zealand's largest corporations
- **Experienced sales team** in corporate Australia, with established process and lead generation to drive increased sales
- **Fully integrated into PayGroup platform** – opening new monetisation pathways
- **Leading technology & processes** – enabling quicker implementation times and driving faster revenues

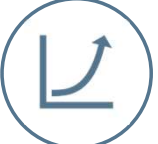


Recent enterprise client wins



A number of
ASX listed
companies

PayrollHQ strategic priorities

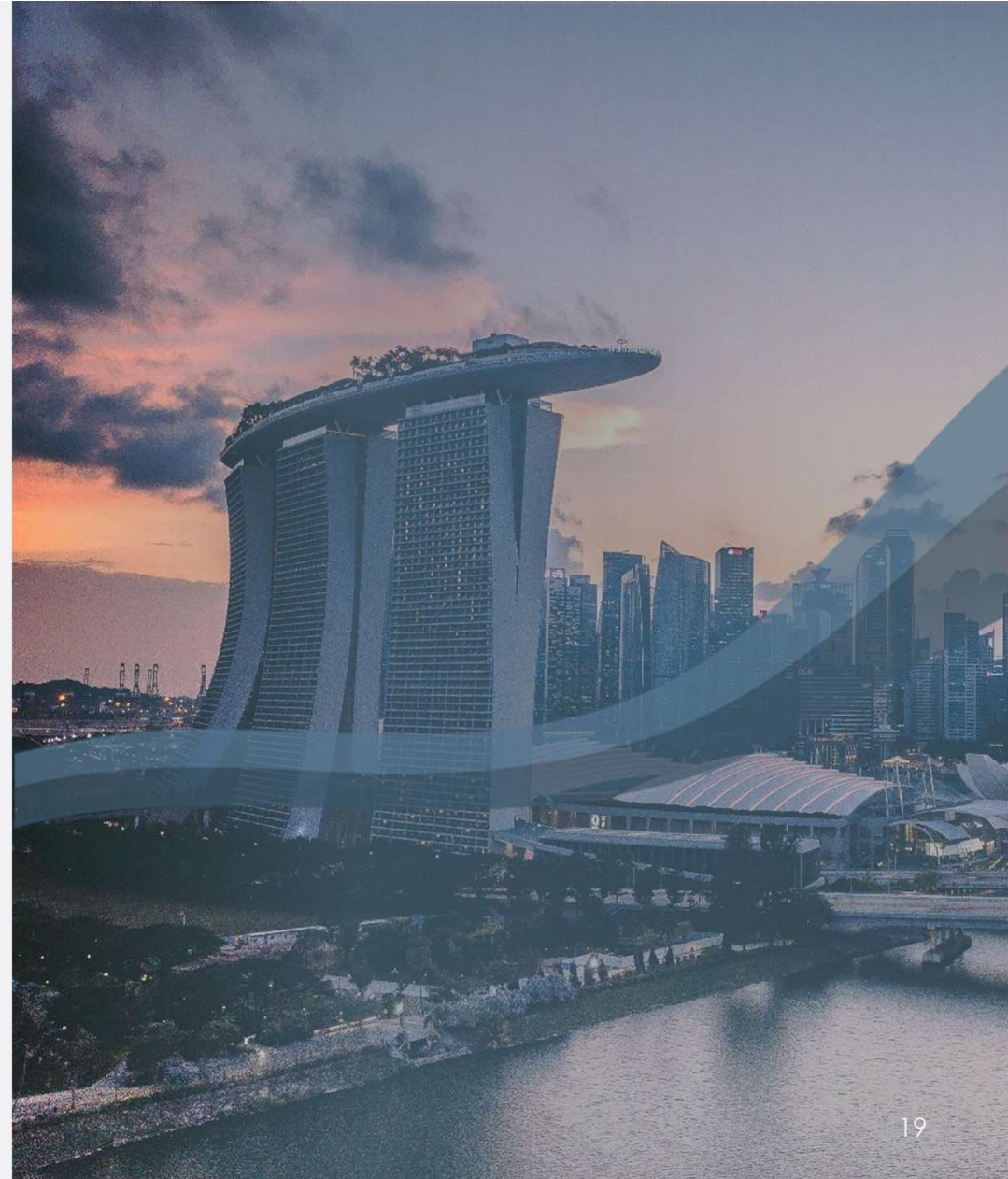
Deliver increased margin and capitalise on cross-selling potential

Priority	Rationale	The PayGroup difference
 Cross-selling	<ul style="list-style-type: none">✓ Leverage PayrollHQ established sales channels, to offer full suite of HCM services✓ Migrate clients onto PayGroup platform, facilitating increased cross-selling	PayGroup can upsell current clients with broad suite of HCM modules, while expanding the product range
 Attract enterprise clients	<ul style="list-style-type: none">✓ Leverage PayGroup's size and reputation to de-risk client procurement concerns✓ Attract larger contracts due to lower implementation times and more enhanced product	Leverage PayGroup's operational efficiency to enhance profile, complimenting PayrollHQ's quick sales cycles
 Increase expertise	<ul style="list-style-type: none">✓ Increase payroll expertise within the ANZ region, delivering increased service to clients and expanding platform appeal	PayGroup can leverage trusted adviser relationship to drive sales and cement ANZ footprint

Outlook



Mark Samlal
Founder and CEO



Continued momentum in FY22

Well positioned to execute on next phase of growth

1. Accelerating Growth

- > **FY22 ARR guidance of between \$35m and \$37m** expected for year ending March 2022 following strong organic growth across the payroll and HCM offering in 1Q FY22
- > **\$4.6m¹ new contracts signed in 1Q FY22** increasing 53% on pcp highlighting early returns on PayGroup's investment in optimising the group sales capabilities and significant execution capabilities
- > **Strong demand from large multinational companies** for PayGroup's unique payroll compliance offering, providing significant organic growth opportunities to expand with customers

2. Structural tailwinds

- > **Increased adoption of digitisation** leading to greater demand from enterprise client base
- > **New paradigm of hybrid working** necessitating a shift to digital payroll and management of employees
- > **Evolving regulatory environment** and heightened awareness of risks around underpaying staff

3. Product innovation

- > **Technology roadmap provides for significant innovation** across the PayGroup offering led by a global technology leader
- > **Development of low code products** to significantly reduce implementation times, enhance customer value proposition and drive long-term margin expansion

Corporate overview

Experienced Board and key leaders driving a well funded organisation



Ian Basser
Non-Executive
Chairman



Mark Samlal
Founder and CEO



Franck Neron-Bancel
Executive Director &
Chief Strategy Officer



Sachin Goklaney
Chief Commercial
Officer



David Fagan
Non-Executive
Director



Elise Nguyen
Chief Financial Officer



Shane Gild
Non-Executive
Director



Chris Brunton
Chief Operating and
Technology Officer

Substantial shareholders

Mark Samlal (Founder and Managing Director)	19.3%
Lawrence Pushpam (Founding shareholder)	6.3%
Salter Brothers Emerging Companies	5.2%

Financial information

Share price (20-Jul-21)	\$0.485
52-week trading range (low / high)	\$0.43 / \$0.81
Shares on issue	115m

Market capitalisation **\$56m**

Cash (30-Jun-21)	\$12.5m
Debt (30-Jun-21)	\$0.0

Enterprise value **\$43.5m**

Research coverage

Canaccord Genuity, Sparkplus

“ FY22 will be an significant year for PayGroup. Our early investment in optimising our sales team is demonstrating result, and with the successful integration of our recent acquisition complete, we are focused on extracting value across the Group. We continue to observe significant demand for our payroll and HCM solutions underpinned by our growing pipeline of opportunities.

Consistent with our strategy since IPO, we remain focused on scaling our core payroll business and leveraging our trusted position to provide our customers with our full suite HCM modules. With our platform now in place and our technology roadmap underway, we are incredibly excited by the significant long-term value creation opportunity of PayGroup.

”

**Mark Samlal, Founder and CEO
Major Shareholder (19.31%)**

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